

Procure-to-Pay Capability Summary

PUBLICATION DATE: JUNE 20, 2012

SUBJECT: Order of Application of Contract Modifications

POLICY: Until May 2012, there were no rules published to describe in what order to apply contract modifications. While the Federal Acquisition Regulations (FAR) and Defense Federal Acquisition Regulation Supplement (DFARS) prescribed numbering procedures for contract modifications there were no rules for determining the effective date. This was causing various problems with recording those modifications in automated systems; it was clear that rules were needed to establish the precedence of effective date, and then to resolve conflicts arising from multiple modifications with the same effective date. To improve this problem new rules have been published.

While offices managing contracts tend to assume that modifications will be applied in numeric order, the requirements in Part 43 clearly establish the importance of the effective date of the modification. With these new procedures in place, it may be necessary to modify a contract to document an action taken prior to the most recent modification.

DFARS 204.7007 Order of application for modifications defines the sequence of modifications to a contract or order to be applied in the following order:

- (1) Modifications will be applied in order of the effective date on the modification;
- (2) In the event of two or more modifications with the same effective date, modifications will be applied in signature date order;
- (3) In the event of two or more modifications with the same effective date and the same signature date, procuring contracting office modifications will be applied in numeric order, followed by contract administration office modifications in numeric order.

WHAT SHOULD CONTRACTING ACTIVITIES DO?

Contracting activities should review and distribute this DFARS rule to their workforce. Include this rule in departmental training to establish a firm understanding of mod numbering rules and address questions to the below Point of Contact (PoC).

IS THERE A SYSTEMS IMPACT?

There is a systems impact due to this rule defining how to read and record modified contracts, then uniformly documenting resultant contracts in multiple systems.

CONTACT: Bruce Propert at 703-697-4384, david.b.propert2.civ@mail.mil